



NAVAL  
POSTGRADUATE  
SCHOOL

MONTEREY, CALIFORNIA

**THESIS**

MILITARY HOUSING PRIVATIZATION  
INITIATIVE LESSONS LEARNED  
PROGRAM: AN ANALYSIS

by

Janet M. Elbert

September 2003

Principal Advisor: Joseph G. San Miguel  
Associate Advisor: Rodney E. Tudor

Approved for public release; distribution is unlimited.

THIS PAGE INTENTIONALLY LEFT BLANK

<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
<b>1. AGENCY USE ONLY (Leave blank)</b>		<b>2. REPORT DATE</b>  September 2003	<b>3. REPORT TYPE AND DATES COVERED</b>  Master's Thesis	
<b>4. TITLE AND SUBTITLE:</b> Military Housing Privatization Initiative Lessons Learned Program: An Analysis			<b>5. FUNDING NUMBERS</b>	
<b>6. AUTHOR(S)</b> Janet M. Elbert				
<b>7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)</b> Naval Postgraduate School Monterey, CA 93943-5000			<b>8. PERFORMING ORGANIZATION REPORT NUMBER</b>	
<b>9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES)</b> N/A			<b>10. SPONSORING/MONITORING AGENCY REPORT NUMBER</b>	
<b>11. SUPPLEMENTARY NOTES</b> The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
<b>12a. DISTRIBUTION / AVAILABILITY STATEMENT</b> Approved for public release; distribution is unlimited			<b>12b. DISTRIBUTION CODE</b>	
<b>13. ABSTRACT (maximum 200 words)</b>  <p>The Military Housing Privatization Initiative (MHPI) represents a dramatic revision in the construction and maintenance of military housing. Since its inception in 1996, the number of projects has grown exponentially and the learning process has been continuous and steep. This thesis researches the effectiveness of the methods in place at the Department of Defense and Service levels to document, share, and, above all, learn from past experiences. This analysis reviews the cumulative documented lessons from all Services and compares it to the lessons learned within the first jointly partnered privatization project at the Presidio of Monterey (POM) and Naval Postgraduate School (NPS) in Monterey, California.</p> <p>This research showed at least six lessons previously documented within the lessons learned system, which were relearned at the POM/NPS project. Given this data, the lessons learned program is a partial success but overall has a positive impact on the MHPI. The current lessons learned program improves each new privatization project ensuring it does not experience all of the same lessons from previous projects. Only a few lessons seem to slip through the cracks and are repeated even after documentation and distribution.</p>				
<b>14. SUBJECT TERMS</b> Military Family Housing, Military Housing Privatization Initiative (MHPI), Privatization, Public Private Venture, Residential Communities Initiative (RCI), Lessons Learned			<b>15. NUMBER OF PAGES</b>  99	
			<b>16. PRICE CODE</b>	
<b>17. SECURITY CLASSIFICATION OF REPORT</b>  Unclassified	<b>18. SECURITY CLASSIFICATION OF THIS PAGE</b>  Unclassified	<b>19. SECURITY CLASSIFICATION OF ABSTRACT</b>  Unclassified	<b>20. LIMITATION OF ABSTRACT</b>  UL	

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited.

**MILITARY HOUSING PRIVATIZATION  
INITIATIVE LESSONS LEARNED  
PROGRAM: AN ANALYSIS**

Janet M. Elbert  
Captain, United States Army  
B.S., United States Military Academy, 1995

Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN MANAGEMENT**

from the

**NAVAL POSTGRADUATE SCHOOL  
September 2003**

Author: Janet M. Elbert

Approved by: Joseph G. San Miguel  
Principal Advisor

LTC Rodney E. Tudor, USA  
Associate Advisor

Douglas A. Brook, Ph.D.  
Dean, Graduate School of Business and  
Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

## **ABSTRACT**

The Military Housing Privatization Initiative (MHPI) represents a dramatic revision in the construction and maintenance of military housing. Since its inception in 1996, the number of projects has grown exponentially and the learning process has been continuous and steep. This thesis researches the effectiveness of the methods in place at the Department of Defense and Service levels to document, share, and, above all, learn from past experiences. This analysis reviews the cumulative documented lessons from all Services and compares it to the lessons learned within the first jointly partnered privatization project at the Presidio of Monterey (POM) and Naval Postgraduate School (NPS) in Monterey, California.

This research showed at least six lessons previously documented within the lessons learned system, which were relearned at the POM/NPS project. Given this data, the lessons learned program is a partial success but overall has a positive impact on the MHPI. The current lessons learned program improves each new privatization project ensuring it does not experience all of the same lessons from previous projects. Only a few lessons seem to slip through the cracks and are repeated even after documentation and distribution.

THIS PAGE INTENTIONALLY LEFT BLANK



## TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	BACKGROUND.....	1
B.	RESEARCH OBJECTIVES.....	6
C.	RESEARCH QUESTIONS.....	6
	1. Primary Research Question.....	6
	2. Secondary Research Questions.....	6
D.	SCOPE AND LIMITATIONS.....	7
	1. Scope.....	7
	2. Limitations.....	7
E.	METHODOLOGY.....	8
F.	ORGANIZATION OF STUDY.....	9
II.	MILITARY HOUSING PRIVATIZATION LESSONS LEARNED	
	PROGRAM.....	11
A.	OVERVIEW.....	11
B.	DEFENSE PROGRAM.....	13
	1. Introduction.....	13
	2. Program Evaluation Plan (PEP).....	14
	a. Overview.....	14
	b. Training.....	14
	c. Timeline.....	14
	d. Benefits.....	14
	e. Required Reports.....	15
	f. Distribution.....	16
	3. Conferences.....	16
	4. Consultants.....	16
	5. Tri Service Meetings.....	17
	6. Estimated Overall Cost.....	17
C.	ARMY PROGRAM.....	17
	1. Overview.....	17
	2. Conferences.....	18
	3. Training.....	18
	4. Policy Letters.....	18
	5. Consultants.....	18
	6. Portfolio Asset Management (PAM).....	19
	7. Estimated Overall Cost.....	19
D.	NAVY AND MARINE CORPS PROGRAM.....	20
	1. Overview.....	20
	2. Workshops.....	20
	3. Training.....	20
	4. Consultants.....	20
	5. Estimated Overall Cost.....	20

E.	AIR FORCE PROGRAM.....	20
1.	Overview.....	20
2.	Conferences.....	21
3.	Acquisition Document.....	21
4.	Training.....	21
5.	Publications.....	21
a.	Website.....	21
b.	Bulletins.....	22
6.	Consultants.....	22
7.	Estimated Overall Cost.....	22
F.	DEFINITION OF SUCCESS.....	22
G.	CHAPTER SUMMARY.....	24
III.	LESSONS LEARNED.....	25
A.	DOCUMENTED LESSONS LEARNED.....	25
1.	Overview.....	25
2.	Army Privatization Projects Awarded.....	26
3.	Navy and Marine Corps Privatization Projects Awarded.....	26
4.	Air Force Privatization Projects Awarded..	26
B.	DATA COLLECTION.....	27
C.	GENERAL LESSONS.....	27
D.	STAFFING LESSONS.....	30
E.	TRAINING LESSONS.....	32
F.	PROJECT SOLICITATION LESSONS.....	33
G.	PARTNERSHIP LESSONS.....	36
H.	PROJECT DEVELOPMENT LESSONS.....	38
I.	PROJECT TRANSITION LESSONS.....	43
J.	PROJECT MAINTENANCE LESSONS.....	44
K.	PROJECT CLOSURE LESSONS.....	48
L.	CHAPTER SUMMARY.....	48
IV.	PRESIDIO OF MONTEREY AND NAVAL POSTGRADUATE SCHOOL CASE STUDY.....	51
A.	OVERVIEW.....	51
B.	DATA COLLECTED.....	52
C.	LESSONS REVISITED.....	53
1.	General Lessons.....	53
2.	Staffing Lessons.....	53
3.	Training Lessons.....	54
4.	Project Solicitation Lessons.....	54
5.	Partnership Lessons.....	55
6.	Project Development Lessons.....	56
7.	Project Transition Lessons.....	57

8.	Project Maintenance Lessons.....	57
9.	Project Closure Lessons.....	57
D.	UNDOCUMENTED LESSONS LEARNED.....	58
1.	General Lessons.....	58
2.	Staffing Lessons.....	58
3.	Training Lessons.....	58
4.	Project Solicitation Lessons.....	58
5.	Partnership Lessons.....	59
6.	Project Development Lessons.....	59
7.	Project Transition Lessons.....	61
8.	Project Maintenance Lessons.....	61
E.	CHAPTER SUMMARY.....	61
V.	SUMMARY, RECOMMENDATIONS, AND FURTHER RESEARCH.....	63
A.	SUMMARY.....	63
B.	RECOMMENDATIONS.....	65
1.	Data Bank.....	66
2.	Conferences.....	66
3.	Reports.....	67
4.	Summary.....	67
C.	FURTHER RESEARCH.....	68
D.	FINAL THOUGHT.....	69
APPENDIX A.	ARMY PROJECTS AWARDED AS OF 30 JUNE 2003.....	71
APPENDIX B.	NAVY AND MARINE CORPS PROJECTS AWARDED AS OF 30 JUNE 2003.....	73
APPENDIX C.	AIR FORCE PROJECTS AWARDED AS OF 30 JUNE 2003 .....	75
LIST OF REFERENCES.....		77
BIBLIOGRAPHY.....		81
INITIAL DISTRIBUTION LIST.....		85

THIS PAGE INTENTIONALLY LEFT BLANK

## **ACKNOWLEDGMENTS**

No accomplishment is mastered alone and this work is example of that belief. I owe great thanks to Professor San Miguel, an outstanding teacher and mentor. Without his support and guidance, this would not be done. Mr. Brad Collier, POM/NPS RCI Deputy Director, also helped tremendously through the generous giving of his time and information about the POM/NPS project. And lastly, I appreciate LTC Rodney Tudor's willingness to take on the role of Associate Advisor late into the process.

THIS PAGE INTENTIONALLY LEFT BLANK

## **I. INTRODUCTION**

### **A. BACKGROUND**

Since the mid-1990s, the Department of Defense (DoD) acknowledged the existence of extreme military housing needs and constraints. As of the year 2001, about two-thirds of DoD's housing inventory in the continental United States or approximately 180,000 military family units are old, below contemporary standards, and in need of extensive repair. (Yim, 2001) Yet the process of housing revitalization has a substantial cost. By DoD estimates, it would take 30 years and \$16 billion to improve its housing stock to acceptable conditions if traditional military construction practices and funding were used. (Gutierrez, 2001) According to DoD sources, the military's cost for building a house in 1998, was \$135,000 (excluding land), substantially higher than private industry averages for comparable homes in many areas. (Gutierrez, 2001)

Realizing the quality of housing for military families is a critical element in attracting and retaining high caliber personnel, the importance of safe and adequate housing, as well as the time and cost constraints of traditional military construction practices and funding; Congress approved the Defense Appropriations Act of 1996, enacting the Military Housing Privatization Initiative (MHPI). This initiative provides a collection of temporary "alternative authorizations" (as termed in relevant legislation) for speedy creation of quality military housing through leveraging of appropriated funds with private investment. (Else, 2001)

MHPI gave DoD the ability to entice private investment by encouraging it to act like a private enterprise. Non-governmental businesses can be creative and take advantage of local real estate market conditions in customizing development projects. The MHPI gave similar flexibility to DoD. (Else, 2001)

Since 1997, the Defense Planning Guidance (DPG) directed each Service to submit a plan demonstrating how they intended to meet the Secretary of Defense's goal to eliminate all inadequate housing by the year 2010. This timeline was shortened in recent years to 2007.

Each Service created a plan for a series of innovative campaigns that orchestrated the management of assets, the distribution of family housing resources, and sequencing of investment projects. The goal would be accomplished through a combination of: (1) traditional military construction (MILCON), (2) Basic Allowance for Housing (BAH) increases, and (3) privatization.

The third element, privatization, is a major component of the Services' plans to alleviate housing shortages and rapidly improve the condition of existing housing. A private sector company is responsible for family housing management, new construction, renovation, and maintenance. To gain approval for a privatization the project must yield at least three times the amount of housing than traditional methods would yield for the same amount of appropriated dollars. (Yim, 2001)

Congress gave the Services wide authority to pursue public-private ventures for improving housing. According



to an article in the August 2002, Government Executive by George Cahlink, this authority included the following:

- [1] Allowing service members to use housing allowances to lease on-base housing from contractors
- [2] Allowing Defense to make 'differential' lease payments to developers if housing allowances fall short
- [3] Permitting direct loans to developers for acquiring or building housing
- [4] Guaranteeing rent payments to developers even during downsizing or major developments
- [5] Permitting the services to form limited partnerships with contractors and to invest in nongovernment entities
- [6] Allowing Defense to sell, convey, or lease property to contractors

Across the Services, the basics of most housing deals remain the same. The Services agree to turn over up to 50 years worth of housing dollars in the form of BAH, a preset monthly allowances provided to service members based on rank and location for housing expenses, to commercial developers in exchange for building, maintaining, and managing housing on military installations. Developers can use this guaranteed income (BAH from military members) to borrow millions of dollars from banks and other financial institutions. The contractors get a return on their investment with a profit by collecting housing allowances for as long as five decades.

The MHPI was implemented by a gradual "one base at a time" approach. The plan involved privatizing at each site, gathering information, documenting lessons learned, and establishing needed improvements. The DoD initiated the Military Housing Privatization Program Evaluation Plan (PEP) to evaluate the effectiveness of the MPHI and

individual housing projects. Additionally, each Service created programs within their branch to document and publish learned lessons.

As of June 2003, the DoD awarded 21 military family housing privatization projects, and over 30 projects are in solicitation. (<http://www.acq.osd.mil/housing/award>) In fact, the pace has quickened to accommodate the 2007 objective. Pending the Office of the Secretary of Defense (OSD) and Congressional concurrence, the total installations with privatized military housing will expand to 81 by the end of FY 2006. This equates to approximately 80 percent of military housing sites, which required modernization before the initiation of the MHPI.

The General Accounting Office (GAO) has raised several concerns with the implementation of the privatization initiative. They expressed concern that the Services were not using the Initiative as intended by the legislation, which was to supplement traditional military housing construction financing, not replace it. Additionally, initial implementation of the MHPI appeared slower than expected. (GAO/NSIAD-98-178) Their report also mentioned apprehension on whether privatization will result in significant cost savings as originally intended. (GAO/NSIAD-98-178)

However, the issue the GAO described which is most applicable to this research is the potential for the Services to repeat similar errors in their use of privatization at different sites. (GAO, 2002) Many realize the value of a "lesson learned." As the saying goes, "if we fail to learn from our mistakes, then we are destined to

repeat them." The Defense Department and each Service attempts to ensure this does not occur.

Beginning January 2001, OSD's Office of Competitive Sourcing and Privatization, requires each Service to semi-annually submit a Program Evaluation Report as part of the Military Housing Privatization PEP. Information for the PEP flows upward from the installations through the service component to the Housing Revitalization Support Office (HRSO). The PEP is a tool for the Services and OSD to evaluate the cost and benefits of MHPI projects by measuring their effectiveness and evaluating their strengths and weaknesses. Lessons learned from PEPs are disseminated back down through the Services and incorporated into future projects across the Services.

If these processes are successful, then each new privatized project should be more effective, efficient, or both than previous projects. The benefit of such a program is recognizable. However, there is a cost associated with improvement programs in the form of personnel, time, and resources.

The 38th site to undergo privatization is in Seaside, California. The land is part of the former Fort Ord, which was closed as a result of the Base Realignment and Closure (BRAC) process in September 1994. It provides military housing for Service members assigned to the Presidio of Monterey (POM) and the Naval Postgraduate School (NPS) both located in Monterey. The POM/NPS site, generally referred to as the Monterey Project because it involves the military units and organizations located on the Monterey Peninsula, is distinctive in many ways. First, it is the first

installation where two different Services successfully partnered to go through the housing privatization process. Second, the site houses families from all Services (Army, Navy, Air Force, Marines, and Coast Guard), Reservists, as well as international officers and government employees. Third, the project involves one of the largest dollar values involved in privatization of military housing to date. This privatization effort provides a succinct setting to evaluate whether lessons learned from across the Services were applied and improved the overall project.

## **B. RESEARCH OBJECTIVES**

The intent of the thesis is to conclude whether the current MHPI lessons learned program effectively enhances and improves the privatization process and meets stated program objectives. The thesis considers previous housing privatization efforts, the lessons learned documentation requirements for DoD and each Service, actual lessons learned to date, the impact of these lessons on the housing project in Seaside, California, and the overall success of the lessons learned program on improving new projects.

## **C. RESEARCH QUESTIONS**

### **1. Primary Research Question**

How effective is the OSD lessons learned program in improving military housing privatization programs?

### **2. Secondary Research Questions**

- What methods comprise the MHPI lessons learned program?

- What impact does the lessons learned program have on MHPI?
- Based on the standards set forth by this author, is the program overall a success, partial success, or failure as applied to the Seaside project?
- How can OSD and each Service improve the lessons learned program?

#### **D. SCOPE AND LIMITATIONS**

##### **1. Scope**

This thesis will encompass a review of the MHPI lessons learned program and objectives at the OSD and Service levels. It will also examine privatized military housing efforts prior to June 2003, and the documented lessons from these experiences. Included in the scope is a review of how the documented lessons affected the POM/NPS privatization project. This data then forms a basis for an evaluation of the effectiveness of the MHPI lessons learned program

##### **2. Limitations**

Research projects suffer from inherent limitations and difficulties, and this thesis is no exception. Beginning from contract award, only 11 MHPI projects have an operating history of at least two years with construction involved at only 8 of these projects. Due to the infantile state of the privatized military housing, a minimum amount of data is available for trend or comparative analysis.

The identification of learned lessons from previous projects to the Seaside project does not definitively prove the lessons learned program works. It may only be possible

to conjecture that a correlation exists. Similarly, if previous problems are repeated on the Seaside site, which were documented and published previously as "lessons learned," it may not be the sole fault of the program, but it may be due to different individuals leading the project or unique situational characteristics. However, comparison analysis to show unrepeated documented lessons learned provides confidence that more than chance correlations exist.

The study involves the lessons learned across the Services although each applies slightly different methodologies and modus operandi. Additionally, varying project sizes greatly impact the privatization process as more potential funds encourage greater participation from the civilian sector as well as more flexibility during the development and management process.

Considering these limitations, this thesis will attempt to find weaknesses and areas for improvement within the current DoD and Services' lessons learned programs.

## **E. METHODOLOGY**

This thesis is based on an extensive literature review, including other theses, congressional testimonies, Defense Department and Service component internal regulations, reports, policies and plans, articles, and web searches. Other sources of information involved personal interviews and communication with representatives at the OSD, Service component level, and POM/NPS project personnel.

## **F. ORGANIZATION OF STUDY**

This thesis is organized into five chapters. Following this introductory first chapter, Chapter II explains the current methods in place to document, publish, and ensure application of lessons learned. It also includes the stated objectives of the lessons learned program. Chapter III provides an in-depth review of the documented lessons learned from prior projects at the DoD and Service component level. Chapter IV analyzes the application of documented lessons to the POM/NPS project and assesses the effectiveness of the current lessons learned program for MHPI. Chapter V summarizes the author's conclusions and provides recommendations for how OSD and the Services might best employ the MHPI lessons learned program for greatest impact on future projects.

THIS PAGE INTENTIONALLY LEFT BLANK



## **II. MILITARY HOUSING PRIVATIZATION LESSONS LEARNED PROGRAM**

### **A. OVERVIEW**

In October 1998, the Secretary of Defense delegated operational responsibility for MHPI to the individual Services, with oversight and final approval authority in the OSD Office of Competitive Sourcing and Privatization. (Else, 2001) Fundamental features of the MHPI are its flexibility and decentralized implementation. It is important to note differences are inherent within each Service, which are further reflected within each privatization program. Additionally, differences in culture impact the privatization process as each Service is ingrained with unique philosophies and ideals. Therefore, lessons learned by one Service or installation may or may not apply to others. However, projects tend to follow the same general progression.

First, the Service conducts a site review and viability study to establish the need for improved housing at an installation, either through renovation of existing housing or construction of new buildings. This assessment involves an evaluation of the local private housing market and a comparison between the use of MHPI and traditional construction approach.

Second, based on the assessment results, the Service briefs a plan using the MHPI to the OSD Office of Competitive Sourcing and Privatization. If the plan is approved, the Service is then authorized to develop a solicitation proposal.

Third, the Service must notify Congress at several intervals: (1) before issuing the completed solicitation to private industry, (2) after selecting a solicitation response, and (3) before awarding a contract.

The Services apply different solicitation methods in military housing privatization projects. The Army's solicitation model (known as "Residential Communities Initiative" or RCI) uses a Request for Qualifications process. It selects a "development partner" to undertake privatization work for an entire installation. The Army and its private partner then develop a model, or Community Development and Management Plan (CDMP), for the project.

The Navy's solicitation model (referred to as "public private venture") and the Air Force solicitation model ("housing privatization") announce detailed Requests for Proposals (RFP) to the construction industry. (Else, 2001) Contractors respond with equally comprehensive project proposals. The Navy and Marine Corps delineate from the Air Force in the following step as they form limited liability partnerships with the private contractor. Under this approach, they not only agree to provide funds from housing allowances, but they invest money up front and assume some risk if the project fails.

Patterns are already emerging revealing the differences in Service implementation of MHPI. According to Daniel Else, an analyst in National Defense, CRS Report for Congress on 2 July 2001:

Army projects tend to focus on the revitalization of existing housing stocks. The Air Force tends to favor the inclusion of the conveyance of

Federal land in projects under its administration. The Navy appears to prefer engaging private developers in joint ventures.

Despite the identified differences between Service approaches, the process remains similar and the end state is exactly the same--provide quality military housing at decreased cost.

DoD must invest constrained time and resources smartly, always seeking and seizing new opportunities to improve practices. Military jargon describes this process as "lessons learned." Other terms used in the civilian sector are "continuous improvement program," "best practices", or "information management." Regardless of the terms used, lessons learned throughout the process should be documented, distributed, and incorporated within applicable projects regardless of branch of Service or installation.

Several formats currently exist to publish lessons learned. The following sections will cover the methods employed within the DoD specific to MHPI, which offer a means to improve upon past lessons.

## **B. DEFENSE PROGRAM**

### **1. Introduction**

OSD for Installations and Environment issued the Military Housing Privatization Program Evaluation Plan (PEP) on 10 January 2001, five years after congress approved the use of privatization. The PEP along with other methods allows the Services and the OSD to evaluate

the effectiveness as well as the costs and benefits of the MHPI and individual housing privatization projects. (Yim, 2001)

## **2. Program Evaluation Plan (PEP)**

### **a. Overview**

The PEP is the method for OSD to collect data from the Services on all awarded MHPI projects. Each year the information is gathered twice, specifically for the periods ending 30 June and 31 December, from the installation, the Service component, and OSD.

As of June 2003, DoD awarded 20 military family housing privatization projects. Additionally, over 30 projects are in solicitation.

(<http://www.acq.osd.mil/housing/award>)

### **b. Training**

The Service's housing privatization offices received training on the initial PEP reporting requirements in November 2000, at the MHPI Post Award and Program Evaluation Workshop sponsored by OSD. (Yim, 2001) Service comments on the program and its required reports were solicited and included in the final PEP. (Yim, 2001)

### **c. Timeline**

The first PEP data call was initiated in the year 2000, and covered all privatization efforts up to 31 December 2000. As of June 2003, OSD finalized only 4 PEP's.

### **d. Benefits**

According to the briefing by Ernst & Young consultants Pat Fowler and Ron Slusser at the MHPI Project

Management Workshop held on 28 June 2002, the PEP provides the following contributions.

- Assists in measuring the effectiveness of the MHPI program.
- Assists in evaluating the strengths and weaknesses of individual projects in achieving military housing objectives.
- Assists in determining how the MHPI could be improved to better meet its objectives.
- Provides project and program information to respond to inquiries from oversight organizations.

***e. Required Reports***

The PEP is comprised of a number of reports generated at each level (installation, Service component, and OSD). The efforts involved in producing and consolidating the report cause in excess of a six-month lag between the effective date of the report, its finalization, and distribution.

(1) Installation Level Reports. The primary report at the installation level is the Program Fact Sheet and Monitoring Matrix, which entails 159 lines of general program data including the size, financial profile, milestones, tenant satisfaction, risk involved, construction completed, and mortgage balance. Additionally, installations must provide a Project Summary Report involving measurement of costs and time, advantages and disadvantages of different authorities, contractor performance, and tenant satisfaction.

(2) Service Level Reports. At the Service level, the major report is the Program Executive Summary, which includes program accomplishments and improvements,

problem areas, lessons learned, health of the program, and summary of service members'/tenants' assessment.

(3) OSD/CS&P DoD Level Reports. MHPI Program Executive Report summarizes and analyzes PEP reports from each Service.

#### ***f. Distribution***

The PEP reports are internal documents to DoD to ensure proprietary information remains intact. (Tychsen, 2003) The installations submit their reports to the Service privatization office. The Services then consolidate this information within the Program Executive Summary for submission to DoD. Twice a year, DoD consolidates this information, generates the MHPI Program Executive Summary Report, and provides the summary report and spreadsheet to each Service Secretary responsible for the housing privatization program. Upon request, the information is sent to the GAO during audits or studies, senior leadership in the Office of the Deputy Under Secretary of Defense (Installations and Environment), Congressional Budget Office, Office of Management and Budget staff, and Treasury Department.

### **3. Conferences**

Professional Housing Management Association (PMHA) organizes an annual conference to discuss privatization initiatives and share lessons learned for OSD.

### **4. Consultants**

DoD retains an outside consultant, Ernst & Young, to improve the privatization process. The consultant also organizes and conducts an annual MHPI Project Management Workshop. Lessons learned is not the focus of these

workshops. Instead, attendees share success stories and Service-specific approaches to privatization, goals of MHPI, and review means to ensure each program is on track through the PEP. Past briefings did however include lessons learned along the way.

#### **5. Tri-Service Meetings**

A senior representative of each Service privatization office attends a monthly meeting at the Pentagon for candid sharing of views and lessons learned in military privatization efforts. Minutes are not recorded or published in order to persuade honest and complete information sharing. Therefore, analysis regarding these discussions cannot be done within the scope of this thesis.

#### **6. Estimated Overall Cost**

DoD does not directly budget for the cost of implementing the PEP. Although a cost is associated with the work hours and resources used to generate the overall product, this thesis does not research the actual dollars involved. Consultants and conferences directly involve an expense. Due to the proprietary nature of the information, the cost is not available during the research of this thesis.

In the sections that follow the programs of each Service will be discussed.

### **C. ARMY PROGRAM**

#### **1. Overview**

As of June 2003, The Army awarded privatization projects at 4 locations. Recall that the Army's

solicitation model is called "Residential Communities Initiative" or RCI.

## **2. Conferences**

The Army conducts an annual RCI Lessons Learned Seminar. Government representatives and civilian contractors involved in RCI attend the annual Lessons Learned Seminar. The intent of the seminar includes: (1) providing an update on the RCI and other privatization programs, (2) discussing lessons learned from the installations' and development partners' perspectives, and (3) identifying process improvements that will save time and resources for RCI installations in the queue. (Bolden, 2003)

## **3. Training**

RCI conducts CDMP training with lessons learned embedded in the curriculum.

## **4. Policy Letters**

Upon documentation of lessons and determination of best practices, the Assistant Secretary of the Army (Installations and Environment) provides RCI policy directives. As of June 2003, 14 policy directives were published and implemented.

## **5. Consultants**

The RCI Office employs a private consultant, Jones Lang Lasalle, worth several million dollars. This contractor provides technical, analytical, and financial skills to the privatization process. Small teams (approximately 3-persons) visit the installations, assist with the CDMP phase, and become intertwined members of the



installation RCI team. The team may reside with the installation up to a year. Due to the proprietary information, this paper does reveal the documented lessons learned from the contractor.

## **6. Portfolio/Asset Management (PAM)**

In April 2003, the Department of the Army's RCI office initiated a Portfolio and Asset Management (PAM) program to proactively and methodically mitigates risks and protect RCI assets to sustain the RCI program successes. (Clark, 2003) The PAM measures installation project performance based on service members' satisfaction with family housing, minimal waiting lists, continuous enhancement and preservation of housing assets, the mitigation of project risk, and the successful completion of the housing development scope of work. (Fiori, 2003) Asset Managers at the installation level generate the necessary reports for the RCI Portfolio Manager. The Portfolio Manager then has both reporting information to spread success stories, techniques, approaches, and solutions from one project to another. The Portfolio Manager may also provide program evaluation data to higher echelons of Army leadership.

## **7. Estimated Overall Cost**

This thesis cannot attain relative expense data for any of the tools the Army employs within its lessons learned program: conference, training courses, policy letters, contractor, or PAM.

#### **D. NAVY AND MARINE CORPS PROGRAM**

##### **1. Overview**

As of June 2003, the Navy and Marine Corps awarded 10 privatization projects. Their solicitation model is called "public private venture."

##### **2. Workshops**

The Navy and Marine Corps jointly conduct periodic workshops every three to six months.

##### **3. Training**

The Military Housing and Lodging Institute provides foundation level and advanced courses in all areas of housing management including customers, assets, and finance.

##### **4. Consultants**

Navy employs Basile Baumann Prost and Associates, a private contractor, to organize, compile, and maintain the information generated at the lessons learned workshops.

##### **5. Estimated Overall Cost**

This thesis cannot approximate expense of either the workshops or training. Additional work hour and resource costs associated with the documentation are also not recorded within this thesis.

#### **E. AIR FORCE PROGRAM**

##### **1. Overview**

As of June 2003, the Air Force awarded privatization projects at 6 sites. The solicitation model is called "housing privatization."

## **2. Conferences**

The Air Force Housing Privatization conducts an annual conference every November beginning in 2002. Approximately 100 personnel attend including MACOM staffers, acquisition, housing management, engineers, base legal representatives, and financial managers.

## **3. Acquisition Document**

The Air Force processes request for proposal acquisition documents. They are generic templates generated by installations and sent through the major command to identify and recommend changes in the privatization process. Information is vetted by a steering group and displayed on the Air Force web page.

## **4. Training**

In a cooperative effort with the Air Force, the University of Maryland will provide a course for asset managers. The course involves two weeks of instruction at the university, a six-week break with interim study (approximately one week of work through the web), and another two weeks of instruction at the university. This is currently in the formative stage while the two parties finalize a memorandum of agreement. The first class is scheduled to begin on 22 October 2003.

## **5. Publications**

### **a. Website**

The Air Force intends to publish a quarterly bulletin called "Tips and Myths" highlighting the latest intelligence on the privatization process. At this time, the idea is in the formative stage.

### **b.    Bulletins**

Air Staff produce monthly bulletins in the form of H-grams in an effort to increase communication on the latest status and policies of privatization. These bulletins are distributed to the Air Major Commands that then distribute them to the installations.

### **6.    Consultants**

The Air Force uses 5 different contractors to assist in housing privatization: Jones Lang LaSalle Americas Incorporated, Ernst and Young LLP, Basile Baumann Prost and Associates, PSC Development Company, and Kormendi Gardner Partners. One contractor is chosen for each project.

### **7.    Estimated Overall Cost**

This thesis can only approximate the training expense to equate to \$600,000 per annum. Additional work hour and resource costs associated with the documentation efforts and contractors are not recorded within this thesis.

## **F.    DEFINITION OF SUCCESS**

The DoD maintains the only military housing privatization "lessons learned" program with definitive objectives. However, all Services including the Joint Chief of Staff similarly define and support general "lessons learned" programs exhibiting their belief in sharing and learning from others' experiences.

The Joint Center for Lessons Learned (JCLL) located in Norfolk, Virginia collects, processes, analyzes, distributes, and archives relevant lessons learned from operations, training events, and other sources to enhance capabilities of the joint forces. It prepares and delivers an analysis that identifies prior military experiences, or

"lessons learned" with similar situations.

([http://www.jwfc.jfcom.mil/about/fact\\_jc11.htm](http://www.jwfc.jfcom.mil/about/fact_jc11.htm))

The Army established the Center for Army Lessons Learned (CALL). According to their website, the CALL mission involves collecting and analyzing data from a variety of current and historical sources, including Army operations and training events, and producing lessons for military commanders, staff, and students. CALL disseminates these lessons and other related research materials through a variety of print and electronic media. (<http://call.army.mil>)

The Navy Lessons Learned System (NLLS) was developed and implemented in response to a Navy requirement for a centrally managed, readily accessible, standardized lessons learned database system. The primary purpose of the NLLS is to enhance Fleet operational readiness by collecting and disseminating all significant lessons learned, summary reports, after action reports, and port visit reports from Maritime Operations. The lessons may help identify problems, issues, or requirements, and, if known, suggest corrections to these deficiencies. Lessons may also contain valuable and relevant information concerning doctrine, tactics, techniques, procedures, and systems. (<http://www.nwdc.navy.mil/nlls>)

The Air Force Center for Knowledge Sharing Lessons Learned and Air Force Knowledge Management collects and disseminates after action reports from any event that has Air Force participants. The primary focus includes exercises and real world operations although some

information on natural disasters and experiments is also available. (<https://afknowledge.langley.af.mil/afcks>)

All of these sources within each Service establish the following objective: current methods must be in place to document, publish, and ensure application of lessons learned. The Services must collect, process, analyze, maintain, and distribute relevant lessons learned to enhance operations and capabilities. Therefore, success may be defined as when the past lessons, specifically significant financially relevant lessons, are not repeated. Lessons are in fact learned upon documentation and dissemination.

#### **G. CHAPTER SUMMARY**

DoD and the Services believe in determining and implementing best practices through a lessons learned program. Each has a program in place, which is costly in terms of actual budget dollars, resources, and work hours. The question remains: are they getting a worthwhile return on investment? The following chapter will present the lessons learned programs of the Services.

### **III. LESSONS LEARNED**

#### **A. DOCUMENTED LESSONS LEARNED**

##### **1. Overview**

This chapter reveals the lessons documented to date from each Service's lessons learned program. These lessons appear in two forms: (1) general recommendation for other sites or (2) policy directives establishing a baseline to provide uniformity across the Service's privatization program.

This research shows ideas are repeated up to four times in different reports. This is either for the sake of emphasis or because the lesson was relearned several times. For brevity, this thesis will not reiterate lessons documented in more than one report or briefing. Instead, each lesson will be highlighted only once. Also, due to the extensive number of lessons, this thesis selected 9 relevant categories to best organize the information: General, Staffing, Training, Project Solicitation, Partnership, Project Development, Project Transition, Project Management, and Project Closure. Many lessons actually overlap more than one category. In those instances, the lesson was placed in the category, which appeared primarily relevant. This placement was inherently subjective, but some approach was necessary to classify the lessons.

As mentioned earlier, each Service awarded several projects since the inception of privatized military housing and possesses enough history to capture lessons learned.

These experiences offered the Services many opportunities to reflect on the application of MHPI and what may be done to improve the process.

Based on the DoD and Services' lessons learned programs, improvements are collected and reported predominately from sites, which reached the "award stage." These projects are enumerated below. Specific details are provided in Appendixes A to C.

## **2. Army Privatization Projects Awarded**

Aside from the POM/NPS site, the Army awarded 5 privatization projects as of June 2003: (1) Fort Carson, Colorado; (2) Fort Hood, Texas; (3) Fort Lewis, Washington; (4) Fort Meade, Maryland, and (5) Fort Bragg, North Carolina. These are widely dispersed across the continental U.S.

## **3. Navy and Marine Corps Privatization Projects Awarded**

Navy and Marine Corps awarded 7 privatization projects: (1) Kingsville Naval Air Station, Texas; (2) Everett Naval Station, Washington; (3) Camp Pendleton Marine Corps Base, California; (4) San Diego Naval Complex, California; (5) New Orleans Naval Complex, Louisiana; (6) South Texas Naval Complex, Texas; and (7) Beaufort Marine Corps Air Station, South Carolina. The Navy likewise experienced projects in different parts of the country, but had several more than the Army.

## **4. Air Force Privatization Projects Awarded**

Air Force awarded 6 privatization projects: (1) Lackland Air Force Base, Texas; (2) Robins Air Force Base, Georgia; (3) Dyess Air Force Base, Georgia; (4) Elmendorf Air Force Base, Alaska; (5) Wright-Patterson Air Force



Base, Ohio; and (6) Kirtland Air Force Base, New Mexico. Awarding a number close to that of the Navy, the Air Force has similar diversity in project locations.

## **B. DATA COLLECTION**

As discussed in Chapter II, the Services apply different standards to the implementation of privatization. Additionally, this research shows they document lessons learned and share this information differently as well. The Army and Air Force willingly provided access to information, but they wanted assurances of safekeeping. However, the author found gathering information from the Navy and Marine Corps more difficult. Due to time limitations, attempts to gather information were terminated by 31 July 2003. There is no reason to believe that the generalizations drawn from the Army and Air Force experiences would be dramatically different if complete information were obtained from the Navy and Marine Corps.

The lessons documented below are a culmination of the information provided by representatives in OSD and three Services. It is not all-inclusive due to unavailability of proprietary information as well as Services not forthcoming with requested data as discussed above. As a side note, the Navy manages a website to extract useful lessons learned although it has been unavailable for months.

## **C. GENERAL LESSONS**

Lessons general in nature or which affect more than one phase are described below.

- Capture lessons learned and push authority to the field to speed up the process (Air Force Lessons Learned Workshop, 1998)
- Provide specific guidelines-- all guidance should be noted as goal/desire or a hard fast rule (Air Force Lessons Learned Workshop, 1998)
- All parties should commit to realistic and clear milestone schedules (Air Force Lessons Learned Workshop, 1998)
- Higher headquarters comments were consistently sent to the field uncoordinated and "piece-meal" (Air Force Lessons Learned Workshop, 1998)
- The sharing of privatization project successes can assist in reducing people's normal resistance to change (PEP, December 2000)
- Installations should establish and maintain open lines of communication and partnering with developer through the design, construction, and operations phases of the project (PEP, December 2000)
- Emphasize communication between players and residents (MHPI Workshop, 2002)
- Avoid comparison to military family housing and community housing as it confuses players and residents (MHPI Workshop, 2002)
- Ensure local involvement throughout the process including identification of needs and execution (MHPI Workshop, 2002)

- Ensure chain of command takes an active role in supporting privatization as a successful concept (MHPI Workshop, 2002)
- Provide generous marketing information on privatization pluses (Fowler, June 2002)
- Involve chain of command in promoting privatization through the ranks and communicating change to affected employees (MHPI Workshop, 2002)
- Optimizing the use of privatization authorities and minimizing risk in the structure's documents is an evolutionary experience (MHPI Workshop, 2002)
- Always look for opportunities to improve accounting procedures, operations, finance, development, etc (RCI Lessons Learned Seminar, 2002)
- Communication essential between the installation and developer (RCI Lessons Learned Seminar, 2002)
- Chain of command must be involved to tell the good news story (RCI Lessons Learned Seminar, 2002)
- Coordinate information campaign with Garrison Commander, Public Affairs Office (PAO), Department of Public Works, RCI Project Manager, and functional area subject matter experts (SMEs) to build acceptance and overcome concerns (RCI Lessons Learned Seminar, 2002)
- Consultants help fill the gaps in installation skill sets (RCI Lessons Learned Seminar, 2002)
- Share information as much as possible with other locations through formalized coordination; local issues are not always local (RCI Lessons Learned Seminar, 2002)

- Leverage name recognition where possible during good news story; Public Affairs Offices are integral to the process (RCI Lessons Learned Seminar, 2002)
- Coordinate Press events to take advantage of media markets wherever possible; use controversy to an advantage (RCI Lessons Learned Seminar, 2002)
- Be vigilant in ensuring safety of proprietary information in a highly competitive environment; lessons learned versus technical leveling (RCI Lessons Learned Seminar, 2002)
- Individuals with access to project development plans and other proprietary products must take every precaution to protect them and ensure that there is not even the perception of impropriety (RCI Lessons Learned Seminar, 2002)
- Implementing both RCI and utility privatization programs concurrently, or near simultaneously, adversely impacts the RCI project (RCI Lessons Learned Seminar, 2003)
- Address all issues, small and large, early and at the appropriate levels (RCI Lessons Learned Seminar, 2003)

#### **D. STAFFING LESSONS**

The "staffing" category describes any lessons learned regarding personnel requirements throughout the entire privatization process. The documented lessons are depicted below.

- Establish all responsible offices early on in the process and specific point of contacts vertically and horizontally within all offices involved (Air Force Lessons Learned Workshop, 1998)

- Establish a matrix for all key decision process points and ensure all "required reviewers" are identified with their specific area of expertise (Air Force Lessons Learned Workshop, 1998)
- The level of consultant expertise and consultant consistency is critical to the success of the overall project process (Air Force Lessons Learned Workshop, 1998)
- Installation level contracting personnel need to be immersed in the solicitation process as soon as possible even if they do not actually award the contract (Air Force Lessons Learned Workshop, 1998)
- Better communication occurs when senior enlisted and other local staff are involved in the privatization effort (PEP, December 2000)
- Garrison Commander must provide guidance to the allocation of "low density" skill sets (RCI Lessons Learned Seminar, 2002)
- Include military personnel on government housing office staff (MHPI Workshop, 2002)
- Include privatized housing occupant as a representative member of the advisory board (MHPI Workshop, 2002)
- Employee search may have to be broadened when local markets cannot support hiring requirements (RCI Lessons Learned Seminar, 2003)
- Set staffing levels at one per 1,000 on-post family housing units plus 3.5 man-years of effort for overhead per site (Army Policy Directive #6)

- Maintain current staffing levels throughout the transition phase from the Army to the development partner, start the personnel ramp down at the end of the transition period (Army Policy Directive #6)
- Exclude Community Homefinding, Relocation, and Referral Services (CHHRS) and Deposit Waiver Program (DWP) manpower spaces from staffing (Army Policy Directive #6)

#### **E. TRAINING LESSONS**

Any lesson recommending instruction or in depth research was categorized as "training" and is found within this paragraph.

- Housing Managers need to be properly trained in the various transition aspects of the privatization structure (PEP, December 2000)
- Housing Managers need to be prepared for the transition prior to privatization, including lessons learned from earlier projects (PEP, June 2002)
- Prior to start of construction, training sessions should be provided to appropriate installation personnel to help familiarize them with local building codes and practices (PEP, June 2002)
- Provide educational PPV classes for employees defining the private versus government goals (MHPI Workshop, 2002)
- Train installation personnel prior to privatization through lessons learned seminars, University of Maryland classes, negotiation training, National Development Council Financial Certification, RCI Executive Kick-offs (RCI Lessons Learned Seminar, 2002)

- Engage installation Staff Judge Advocate to counsel employees on ethics rules (RCI Lessons Learned Seminar, 2002)
- Conduct project development plan preparation training 2-3 months prior to developer selection (RCI Lessons Learned Seminar, 2003)
- Educate all stakeholders in their roles in Portfolio/Asset Management (PAM) (RCI Lessons Learned Seminar, 2003)

#### **F. PROJECT SOLICITATION LESSONS**

As described earlier in Chapter II, each Service solicits private industry participation differently. However, some lessons crossed all practices and are found below.

- Conducting an Industry forum may not always be productive. An extensive amount of resources (manpower and funds) are required to conduct a productive forum (Air Force Lessons Learned Workshop, 1998)
- Difficult for design and construction evaluators to read drawings and determine types of materials used for facilities. All materials shown in sections, details, elevations, and any other drawings should be a specific scale and clearly identified in written text (Air Force Lessons Learned Workshop, 1998)
- There was some difficulty in determining "developer equity." If "developer equity" information is required, it should be clearly defined (Air Force Lessons Learned Workshop, 1998)

- Source Selection Teams should ensure continuity of understanding and intent of the project structure and nature by including installation level representation (PEP, December 2000)
- Installations should establish and schedule periodic partnering meetings (Executive Report December 2000)
- The Request for Qualification (RFQ)/Request for Proposal (RFP) process can still be refined further (PEP, June 2001)
- Streamline source selection process (MHPI Workshop, 2002)
- Maximize use of consultant (Jones Lang LaSalle) for real estate and financial advice (MHPI Workshop, 2002)
- The number of bids received for a project has been dependent on the size and location of the project (MHPI Workshop, 2002)
- Source selection teams should include installation level representation to ensure continuity of understanding and intent (MHPI Workshop, 2002)
- Specify in advance the requirement for loan competition (RCI Lessons Learned Seminar, 2002)
- Language in RFQ must be clear, precise, and consistent (RCI Lessons Learned Seminar, 2002)
- Consideration should be given to issuing request for minimums for a specific solicitation prior to issuing the complete RFQ (RCI Lessons Learned Seminar, 2002)
- Potential additions to scope to include potential clients should be acknowledged early on and reflected in



RFQ language that provides sufficient flexibility to accommodate the scope addition (RCI Lessons Learned Seminar, 2002)

- Source selection plan should be sufficiently broad to accommodate multiple acquisitions utilizing a similar acquisition approach and increments of scope related, which do not require modification of the acquisition strategy (RCI Lessons Learned Seminar, 2002)

- Installations, Major Commands, and privatization offices must make every reasonable effort to ensure open and fair competition (RCI Lessons Learned Seminar, 2002)

- Source Selection and Evaluation Board (SSEB) members need to be selected based upon their knowledge of the process and the vision of the organization they represent (RCI Lessons Learned Seminar, 2002)

- Hire local market expertise to assist in negotiation and review as real estate is local and dynamic (RCI Lessons Learned Seminar, 2002)

- Beware of unique fee structures and financing (RCI Lessons Learned Seminar, 2002)

- Conduct due diligence prior to selection of partner (Bolden, 2003)

- Expansion of footprint at RFQ stage would be less costly and more timely should changes occur during development of project plan (RCI Lessons Learned Seminar, 2003)

- Installation must develop footprint before environmental studies begin (RCI Lessons Learned Seminar, 2003)

- Installations should include all feasible land areas in the environmental assessment footprint (RCI Lessons Learned Seminar, 2003)
- Footprint changes that cause cost increases will be funded by installation/developer (RCI Lessons Learned Seminar, 2003)
- All installation reviewers including privatization office staff, tech specialists, and lawyers must review the first draft environmental documents (RCI Lessons Learned Seminar, 2003)
- The partner is responsible for additional environmental sampling necessary to obtain funding for project (RCI Lessons Learned Seminar, 2003)

#### **G. PARTNERSHIP LESSONS**

The lessons learned involving the partnership or the working relationship between the government and private industry were placed in the "Partnership" category. The documented lessons are described below.

- Establish a review and approval procedures in writing and ensure all documents sent out for review have a specific suspense date (Air Force Lessons Learned Workshop, 1998)
- Ensure the contract has a mechanism for requiring government approval before developer changes any team members, especially if the member played a key role (Air Force Lessons Learned Workshop, 1998)
- Management Review Committees are effective means of resolving issues and problems concerning both the developer and the Service (PEP, December 2000)

- Establish Army/developer partner relationship early through meetings, functions, and workshops (MHPI Workshop, 2002)
- Ensure chain of command presents supportive and understanding role, provides periodic progress report, and is a great partner (MHPI Workshop, 2002)
- Inform partner early on of any environmental, infrastructure, security, or master planning constraints (RCI Lessons Learned Seminar, 2002)
- Installations should support developer on taxation issues and be prepared to educate local decision makers (RCI Lessons Learned Seminar, 2002)
- Relationships should be defined early due to the involvement of many stakeholders (RCI Lessons Learned Seminar, 2002)
- Partnership between Army and private sector is mutually beneficial (RCI Lessons Learned Seminar, 2002)
- Partner early and communicate effectively as well as often (RCI Lessons Learned Seminar, 2002)
- Navigate laws, regulations, and policies together as a team (private company and RCI) (RCI Lessons Learned Seminar, 2002)
- Build strong partner relationship vice contractor relationship (RCI Lessons Learned Seminar, 2002)
- Provide clear description of roles and responsibilities (RCI Lessons Learned Seminar, 2002)
- Co-locate developer with privatization office for collaboration efforts (RCI Lessons Learned Seminar, 2002)

- Privatization office and partner team should be in close proximity to each other, to promote frequent and open communication (RCI Lessons Learned Seminar, 2003)
- Indoctrinating the partner in the culture of the military and the installation is critical to successfully establishing the partnership (RCI Lessons Learned Seminar, 2003)
- Capitalize on partnering session by programming full work days immediately following training (RCI Lessons Learned Seminar, 2003)
- Command's vision is a critical influence on the partnership's vision (RCI Lessons Learned Seminar, 2003)
- Negotiate policies with development partner (MHPI Workshop, 2002)

#### **H. PROJECT DEVELOPMENT LESSONS**

The "Project Development" category includes documented lessons from each Service learned in the planning or developing of the project. For the Army, this occurs after the contractor is selected. All other Services generate a project plan then submit a request for proposal based on the plan. Regardless of when the project is developed, the lessons again apply across all Services.

- Use of private sector Title II service oversight may be useful during construction (PEP, December 2000)
- Installations and developers should consider storage space and parking needs (PEP, June 2001)
- Installations should have a contingency plan for handling environmental hazards (PEP, December 2001)

- Examine installation force protection and legal issues to develop a comprehensive plan/set of rules to address civilian housing and civilian access (PEP, December 2001)
- Emphasize property management in selection (MHPI Workshop, 2002)
- Eliminate two-bedroom units from development plan (MHPI Workshop, 2002)
- Structure performance incentive based deals aligning Army and partner interests (MHPI Workshop, 2002)
- Assess environmental conditions and utility infrastructure early (MHPI Workshop, 2002)
- Involve the customer in the development process (MHPI Workshop, 2002)
- Set new and replacement construction minimum standards for reference points during development plan preparation (RCI Program Office, 27 November 2002)
- Develop an Service-level universal plan for resident payment of utilities before rent begins (RCI Lessons Learned Seminar, 2002)
- Provide early guidance as to recoverability of development costs incurred (RCI Lessons Learned Seminar, 2002)
- Realize and be prepared for non-routine processes to include key and essential personnel, exceptional family members, and summers surge (RCI Lessons Learned Seminar, 2002)

- Define requirements early and often as many codes, standards, and acts pertain (RCI Lessons Learned Seminar, 2002)
- Place risk on partner as it is best suited to take it and is the least expensive solution (RCI Lessons Learned Seminar, 2002)
- Combine private sector and Army standards to find the optimal mix (RCI Lessons Learned Seminar, 2002)
- Create universal resident responsibility agreement format and make available early in project development (RCI Lessons Learned Seminar, 2002)
- Identify subject matter experts early to support discussions on Finance Plan, Property Operation Plan, Legal and Governance Plan and Development Plan (RCI Lessons Learned Seminar, 2002)
- Exclude environmentally sensitive areas in footprint unless absolutely necessary (RCI Lessons Learned Seminar, 2002)
- Bring out environmental issues early in the process (RCI Lessons Learned Seminar, 2002)
- Environmental requirements can be the binding time constraint--use the "80% rule" (RCI Lessons Learned Seminar, 2002)
- Prioritize and balance the project sources and uses of funds (RCI Lessons Learned Seminar, 2002)
- Initial proposed footprint should have flexibility to accommodate modifications to achieve final project development plan (RCI Lessons Learned Seminar, 2002)

- Senior leaders should be intimately involved in project development decision-making process (RCI Lessons Learned Seminar, 2002)
- Establish partner proposal as starting point in project development plan negotiations (RCI Lessons Learned Seminar, 2002)
- Determine utilities capacities and conditions (RCI Lessons Learned Seminar, 2002)
- Consult with the State Historic Preservation Office (SHPO) early (RCI Lessons Learned Seminar, 2002)
- Reach a flexible programmatic agreement regarding historic preservations prior to finalizing the development plan (RCI Lessons Learned Seminar, 2002)
- Consider special Process Action Team to gather the appropriate understanding of how military housing costs should be allocated (RCI Lessons Learned Seminar, 2002)
- Full teams are not required to be onsite full time in order to be productive (RCI Lessons Learned Seminar, 2003)
- Quality of development plan is not determined by page count (RCI Lessons Learned Seminar, 2003)
- The development plan should provide for efficient flexibility in response to change in the future (RCI Lessons Learned Seminar, 2003)
- Changes to program requirements can result in modifications to the scope (RCI Lessons Learned Seminar, 2003)

- Service leadership should more clearly define the requirements and expectations of the development plan submission (RCI Lessons Learned Seminar, 2003)
- Portfolio/Asset Management (PAM) requirements and asset management staffing guidelines need to be established upfront in development plan process (RCI Lessons Learned Seminar, 2003)
- Allow developer to rent to civilians under specific guidance outlined during the negotiations of the development plan (Army Policy Directive #2)
- Develop and conduct resident satisfaction surveys via third party specialist consultant, require development partnership to finance a portion of the cost, conduct semi-annually for the first five years, and require summary results forwarded through command channels to Headquarters Department of the Army (Army Policy Directive #7)
- Cap rent at the Basic Allowance for Housing level (Army Policy Directive #9)
- Allow military residents to pay rents in arrears (Army Policy Directive #8)
- Prohibit security deposits for military residents and allow security deposits for civilian residents (Army Policy Directive #10)
- Use local standards and private-sector best practices, establish minimum space standards equivalent to military construction space standards, allow development partner to recommend additional standards for negotiation, develop incentives to encourage development partner to



exceed minimum, and establish/approve additional standards through the integrated process team (Army Policy Directive #12)

- Require the school system to fund additional school requirements resulting from privatization, include stakeholders early-on during planning process, continue to set aside land for school use, phase privatization to track closely with school construction/upgrade, and consider future exceptions (Army Policy Directive #13)

## **I. PROJECT TRANSITION LESSONS**

The lessons involving the actual handover of government property to a private developer are described in the "transition" category. The documented lessons are found below.

- When significant existing units are transferred at transaction closing, it is desirable to initially have a separate central entity to facilitate lease signing and, if applicable, allotment execution (PEP, June 2001)

- Privatization lease signing is a significant cultural change and requires an advertising plan (MHPI Workshop, 2002)

- Allocate ample transition period (MHPI Workshop, 2002)

- Minimize resident impact especially during transition (MHPI Workshop, 2002)

- Allow government housing office to initially control referrals and assignments (MHPI Workshop, 2002)

- The transition to private housing has many impacts: chain of command, excessive damage to units, increased reportable income (RCI Lessons Learned Seminar, 2002)
- Budget for transition cost must be negotiated and agreed to before notice to transition (RCI Lessons Learned Seminar, 2002)
- Provide early access to housing office records and keep informed of decisions impacting operations (RCI Lessons Learned Seminar, 2002)
- Ensure BAH file correct during initial conversion to minimize negative impact or problems (RCI Lessons Learned Seminar, 2002)
- Closing the military housing office should begin 10 weeks before turnover of assets/operations with a weekly teleconference (RCI Lessons Learned Seminar, 2003)
- Transfer assets and operations to the developer partner on the first day of the month as determined during development plan negotiations (Army Policy Directive #4)

#### **J. PROJECT MAINTENANCE LESSONS**

Once the transition occurs and the contractor assumes responsibility of the government property involved, the "maintenance" phase begins. The lessons documented from this period are defined below.

- More effective use of the privatization authorities as well as minimizing risk in the structure's documents is an evolutionary experience (PEP, December 2000)

- Installations should be aware that a project may encounter weather and environmental issues that extend project schedules (PEP, June 2001)
- Title II (construction inspection) oversight is necessary during construction, and the inspection should be tailored to meet the needs of the specific MHPI project not the needs of the MILCON project (PEP, June 2001)
- Tenant Leases must comply with individual state laws (PEP, June 2001)
- One installation has a web site to provide information about its project and to solicit comments from tenants. They also found it useful for answering inquiries from other bases (PEP, June 2001)
- Inspection personnel should be funded and in place prior to start of construction (PEP, December 2001)
- With projects in which rental payments by allotment were not directed to the developer, problems occurred with late payments and/or non-payment of rent from service members (PEP, December 2001)
- Minimize turmoil to families through proper timing of moves (MHPI Workshop, 2002)
- Provide periodic in-progress reviews to Garrison Commander to monitor RCI progress (RCI Lessons Learned Seminar, 2002)
- Maintain Army community standards--good order and discipline; retain community standards regulation with chain of command support (RCI Lessons Learned Seminar, 2002)

- Construction sites must avoid or minimize impacts to: threatened and endangered species, historic properties, wetlands, and hazardous material sites (RCI Lessons Learned Seminar, 2003)

- An effective Management Council needs a broad vision from leadership, i.e. serving families as more than housing requirements (RCI Lessons Learned Seminar, 2003)

- Conduct Housing Market Analyses (HMAs) every 3-5 years and when the installation or community experiences significant changes in demographics, supply of housing, economics of the region, and/or basic allowance for housing (Army Policy Directive #1)

- Implement Housing Market Analyses (MHAs) to align with privatization execution schedules (PEP, June 2002)

- Communicate to service members the importance of responding to tenant surveys (PEP, June 2002)

- The perception held by service members that renovated units are less attractive than newly constructed units is considered a marketing challenge that must be solved in order to lease these units faster (PEP, June 2002)

- Ongoing data gathering/analysis comparing actual utility charges to the utility allowance is important to continued resident satisfaction (PEP, June 2002)

- Determine and publish clear policies early in the process (MHPI Workshop, 2002)

- Ensure thorough processing and monitoring of rent allotments (MHPI Workshop, 2002)

- Continue Commander's control (RCI Lessons Learned Seminar, 2002)
- Conduct regular stakeholder meetings (RCI Lessons Learned Seminar, 2002)
- Third party private firm should provide construction quality assurance (RCI Lessons Learned Seminar, 2002)
- Provide on-site government supervision and management (RCI Lessons Learned Seminar, 2002)
- Put military families in front of the cameras whenever you can (RCI Lessons Learned Seminar, 2003)
- Look for innovative ways to showcase privatization of military housing (RCI Lessons Learned Seminar, 2003)
- Army retains furniture responsibility for furnishing in privatized housing (RCI Lessons Learned Seminar, 2003)
- Clearly identify project funding for General or Flag Officer Quarters (RCI Lessons Learned Seminar, 2003)
- Government will continue to pay for local moves of soldiers from adequate off-post housing to privatized on-post housing and the non-temporary storage of excess household goods (Army Policy Directive #3)
- Use an Service-wide third party vendor to provide the Services necessary to process rental payments from the residents to the developer partner (Army Policy Directive #5)

- Require development partner to recognize the right of surviving spouses and families to remain in RCI housing for up to 180 days (Army Policy Directive #9)
- Army continue to conduct and pay for land surveys (Army Policy Directive #11)
- Develop a standard lease agreement and allow addenda to be added by the installations capturing unique requirements (Army Policy Directive #14)

#### **K. PROJECT CLOSURE LESSONS**

This research did not locate any documented project closure lessons learned.

#### **L. CHAPTER SUMMARY**

The gathering of documented lessons learned proved extremely difficult. Most lists were comprised of ideas that seemed obvious, although a few lessons were noteworthy and appeared to have been learned. Each of the Services was hesitant to provide this information quoting it was proprietary in nature. The Department of Defense and its Services in fact should shield a portion of the information from private companies who may compete for a future project for two reasons. First, if one company gains access to information and another does not, this may taint and hinder the privatization process when the latter cries foul. Second, the particular practices or procedures the contractor brings to the table, which gives it the "edge" cannot be divulged to their competitors, exhibiting again a proprietary nature. However, this research shows the Services quick negative response to sharing information

included more than the above sensitive details. They hesitated to provide generic successes and failures--lessons. Additionally, some Service representatives functioning in the privatization office did not know where to find or if a solitary list of lessons learned exists.

Regardless of the reason, the completeness of this documented lessons learned catalog is based on the cooperation of Service-level privatization offices and the access or ability to locate lessons learned. The above list is not comprehensive, merely the lessons documented between October 1998 to July 2003, which were obtained within the timeframe permitted for this research. The lessons learned program for one specific research site will be evaluated in the next chapter.

THIS PAGE INTENTIONALLY LEFT BLANK



#### **IV. PRESIDIO OF MONTEREY AND NAVAL POSTGRADUATE SCHOOL CASE STUDY**

##### **A. OVERVIEW**

Presidio of Monterey proposed to lease its entire inventory of 2,268 family housing units to a selected private sector partner. In exchange, the partner provides replacement housing, community amenities, new construction, demolition, long-term operation, management and maintenance, and rehabilitation of existing family housing. This agreement would exist for a fifty-year period with a twenty-five year renewal clause. Twenty companies competed for this opportunity, but only 3 of these competitive bids fell within the competitive range.

On 9 July 2002, Congress awarded the Monterey family housing privatization initiative to Clark Pinnacle Family Communities LLC and approved the Community Development and Management Plan (CDMP) on 30 June 2003, worth \$790.8 million during the initial development period (ten years) and up to \$3.5 billion over the next 50 years.

Clark Pinnacle Family Communities LLC is a joint business enterprise between Clark Realty and Pinnacle Realty Management Company. Headquartered in Bethesda, Maryland; the Clark organization is one of the country's leading real estate companies and the largest privately held general building contractor in the nation.

Pinnacle Realty Management Company is an international real estate investment management firm headquartered in Seattle, Washington. Pinnacle provides both multifamily residential and commercial real estate owners and investors with a broad scope of realty services, including the

acquisition, disposition, rehabilitation, property management financing, and repositioning of real estate assets. (RCI Newsletter, October 2002)

An innovative public-private partnership between the U.S. Army, U.S. Navy, and Clark Pinnacle has been formed to plan, program, develop, construct, and/or manage a total portfolio of approximately 8,000 military family housing units in three distinct military communities. Clark Pinnacle is currently working with the U.S. Army on development plans for family housing at Fort Belvoir in the Washington, D.C. area and Fort Irwin/Moffett/Parks Military Housing in California. As noted earlier, Clark Pinnacle recently partnered with both the Army and Navy on plans for military housing in Seaside, California.  
([www.clarkpinnacle.com](http://www.clarkpinnacle.com))

The Presidio of Monterey and Naval Postgraduate School venture is the first successful Army-Navy joint privatized military housing project. To date it is in the "awarded phase" with the handover to Clark Pinnacle Family Communities LLC to occur on 1 October 2003, and construction to begin in November 2003.

## **B. DATA COLLECTION**

The research in this case study predominately involved interviews with members of the RCI team in Monterey, specifically with Mr. Pat Kelly, RCI Director, and Mr. Brad Collier, RCI Deputy Director/Project Manager. They provided a compiled list of major lessons learned to date for the Monterey project. Upon careful inspection, the lessons could be dissected into two distinct categories:

(1) lessons employed from previous projects or outside information found to be successful and (2) lessons learned the hard way--living through them. This thesis focuses on the latter.

This chapter will first compare the lessons learned within the Monterey project to lessons documented previously from other projects. The comparison will exhibit in at least one fashion whether the currently existing lesson learned programs effectively closed the knowledge gap.

Second, this chapter will address additional lessons learned which this research did not find as documented in prior housing projects. If not merely localized lessons, this research also reviewed what actions the RCI office implemented to ensure the lesson was properly documented and the relevant information was passed on to future projects.

### **C. LESSONS REVISITED**

The Presidio of Monterey and Naval Postgraduate School did revisit a number of lessons previously learned from other privatization projects. The following information is organized using the categories used by the author in Chapter III. When no lessons are repeated within a particular category, this fact is annotated.

#### **1. General Lessons**

No repeat lessons noted within this category.

#### **2. Staffing Lessons**

The Monterey privatization project felt the repercussions of not having all key personnel hired,

trained, and in action from the beginning of the privatization process as recommended from other projects. They did not have the finance representative position filled until late into the project. They describe the lesson learned as: "RCI key personnel must be on board/trained in real estate financing and property management prior to partner coming on site." (RCI-Monterey Bay Major Lessons Learned, 2003) This directly corresponds to the lesson documented at least once as found in the Air Force Lessons Learned Workshop in 1998, which recommended establishment of all responsible offices early on in the process and specific points of contact vertically and horizontally within all offices involved. This is not a surprising shortcoming, since it often occurs in all types of project implementations.

The impact of relearning this lesson meant the Monterey RCI Project had to function without a finance representative throughout the build-up process. Additionally, once hired on 30 June 2003, and only a few months before construction begins, the new employee had to catch-up on the details of a complex and large project in addition to receiving necessary training.

### **3. Training Lessons**

No repeat lessons noted within this category aside from what is noted in staffing lessons. If knowledgeable personnel are employed from the outset, then training should be present a significant lesson.

### **4. Project Solicitation Lessons**

The Monterey project learned that the identification of the RCI footprint must be completed very early in the

process. (RCI-Monterey Bay Major Lessons Learned, 2003)  
Previous military housing privatization projects documented that planners must ensure the footprint is "inclusive" vice "exclusive" to ensure additional costs do not occur when expanding the footprint. Specifically, the RCI Lessons Learned Seminar in 2003, recommended installations to include all feasible land areas in the environmental assessment footprint.

This lesson was documented after the Monterey project determined their footprint, which suggests the dissemination occurred after it was of value to this site. This thesis does not analyze the timeliness of distributed data, rather only if the lesson was relearned upon dissemination. That did not occur in this case.

#### **5. Partnership Lessons**

Another relearned lesson involved the formulation of a true partner relationship between the privatized military housing office and the private contractor. Documented lessons learned from other projects suggested the privatization office establish a review and approval procedure in writing and ensure all documents sent for review have a specific due date. (Air Force Lessons Learned Workshop, 1998)

The Monterey RCI office noted difficulty in receiving timely CDMP documents even after they implemented due dates. (RCI-Monterey Bay Major Lessons Learned, 2003) The private contractor felt no obligation to comply with internal due dates set by the RCI Office. They consumed the majority of time available in time-sensitive requirements while the RCI office was forced to react

within short timelines. This caused an unfair allocation of time between the two partners. The lack of concern over suspense dates may be due in part to the difference in cultures, military versus civilian. However, this is also documented as a previous lesson learned from other privatization projects. The privatization office should indoctrinate the partner in the culture of the military and the installation to successfully establish a partnership. (RCI Lessons Learned Seminar, 2003) Although not documented as a lesson learned, the government privatization office might motivate the private company to comply with deadlines through penalty clauses. Otherwise, the contractor feels no cost for noncompliance.

## **6. Project Development Lessons**

Upon selection of the private contractor for the Monterey project, the RCI Monterey team quickly confronted a partner with little desire for negotiation on developing a project plan. (RCI-Monterey Bay Major Lessons Learned, 2003) Clark Pinnacle Family Communities LLC believed their submitted plan was final and approved. Much explanation and coercion occurred prior to the private contractor's understanding that their "approved" proposal served only as a baseline for further negotiation. This understanding should be known up front and prior to solicitation as was documented in previous lessons learned. Specifically, the RCI Lessons Learned Seminar in 2002, recommended, "establish partner proposal as starting point in project development."

The Monterey project's managers judged that performing the "environmental assessment" and "Meets and Bounds"

survey prior to clearly defining the footprint in the CDMP process is procedurally backwards and costly. Although this lesson was experienced previously on other projects, the Monterey project could not learn and adjust from the lesson. This relearned lesson does not impact upon the success or failure of the lesson learned program based on the earlier definition, because the Monterey office did not have sufficient time to learn.

#### **7. Project Transition Lessons**

This phase has not occurred to date in the Monterey project. However, the following lesson is best categorized within the transition phase. The Monterey RCI Office realized resident entitlement issues must be addressed in a timely and clear manner. (RCI-Monterey Bay Major Lessons Learned, 2003) Although this lesson was indicated from previous projects, the Monterey site merely happened upon how receipt of BAH affects government programs such as Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and food stamps. They did not find out the effect of BAH on government programs through official channels or the lessons learned programs. Instead, they reacted to inquiries once they appeared.

#### **8. Project Maintenance Lessons**

This phase has not occurred to date in the Monterey project.

#### **9. Project Closure Lessons**

This phase has not occurred to date in the Monterey project.

#### **D. UNDOCUMENTED LESSONS LEARNED**

This section covers lessons the Monterey project experienced but was not a lesson previously documented. This research is intended to review what the Monterey office did to ensure others do not repeat their lesson. In some cases, the issue appears local in nature and not necessarily applicable to other projects.

##### **1. General Lessons**

No lessons noted within this category.

##### **2. Staffing Lessons**

No lessons noted within this category.

##### **3. Training Lessons**

No lessons noted within this category.

##### **4. Project Solicitation Lessons**

The Monterey RCI Office learned the installation must fund the cost of resolving any issues beyond the initial environmental assessment survey. The funds budgeted for the required survey included only the environmental assessment, not the cost of providing subject matter expert responses to public review comments. As California is an environmentally sensitive state, this was the first documented occurrence of providing responses to public concerns/inquiries. The impact to the Monterey project was an additional cost of \$15,000. The Monterey RCI Office submitted this unexpected lesson through the RCI chain so that it would be included in future conferences.

The federal agency that funds or financially assists Davis-Bacon covered construction projects must ensure the proper wage determination is applied to construction



contracts. The Wage and Hour Division of the U.S. Department of Labor determines prevailing wage rates to be paid on federally funded or assisted construction projects. The Monterey RCI Office assumed the Davis-Bacon Act regarding prevailing wages did not apply and did not include this in the CDMP. However, the assumption proved incorrect. Monterey learned the budget should in fact account for payment of prevailing wages during the solicitation process. This lesson had a significant financial impact on the project in the amount of \$21 million and was highlighted through RCI channels resulting in a DA requirement in requests for qualifications for all future Army housing privatization efforts.

#### **5. Partnership Lessons**

No lessons noted within this category.

#### **6. Project Development Lessons**

The Presidio of Monterey and Naval Postgraduate School military housing office is unique due to the two Services working together. Prior to privatization, the Navy managed the military housing office and provided services to the Army through an Intra Service Support Agreement (ISSA). The agreement involved the Army reimbursing the Navy for this housing service. The Army, however, led the privatization of military housing in Monterey.

The Monterey RCI Office learned the military housing funds should not cut off upon the transition date. Residual funds should be available to ensure a seamless transition and that necessary services continue. The Monterey RCI Office corrected this issue in time. Because funding was rescheduled to gradually decline instead of

shut off on the transition date, the lesson had no financial impact on the project.

The Monterey RCI Office also learned that, early in the privatization process (before solicitation), the military housing office must clearly understand the operations, contractual agreements, and funding involved in fire/police service, cable television (CATV) service, and utility providers for the installation. As the Monterey RCI Office eventually discovered the inner workings of each service provider differed and they had to quickly adjust their project plan to accommodate the service requirements. The lesson did not have a financial impact on the project. However, if not discovered in time, the project could have suffered major financial implications such as breach of contract or unfair share of service cost.

The military housing occupancy rate in Monterey declined significantly from the beginning of the solicitation process to the approval of the CDMP. This change was discovered as the project moved towards the transition phase. This lesson is unique to the Monterey project. While most installations maintain a lengthy waiting list for housing, the Monterey housing tends to have available housing year-round. At NPS, students graduate and arrive four times a year. Some graduation classes are larger than others. At POM, students graduate and arrive every 6 to 18 months. The impact of this lesson could be significant—but this remains to be seen.

The private contractor, Clark Pinnacle Family Communities LLC, must achieve a 95% occupancy rate to maintain financial success of the project. The Monterey RCI Office learned they should have periodically checked

the occupancy levels throughout the initial phases of the privatization process to gauge significant occupancy changes. Then they should plan a conservative occupancy rate necessary to generate required income.

The Monterey project learned the benefits of creating a prioritization action plan to assist in deciding how to best employ additional funds from increases in the Basic Allowance for Housing (BAH) entitlement. This research does not indicate that this lesson was documented previously.

Additionally, the Monterey office learned the required title search and out grant map portion of the "Meets and Bounds" Survey must be paid by the project. This impacted the project by an unexpected \$4,500 budget adjustment.

#### **7. Project Transition Lessons**

This phase has not occurred to date in the Monterey project.

#### **8. Project Maintenance Lessons**

This phase has not occurred to date in the Monterey project.

#### **9. Project Closure Lessons**

This phase has not occurred to date in the Monterey project.

### **E. CHAPTER SUMMARY**

Based on the above information, several lessons slipped through the current programs in place to ensure best practices. It is not the intent of this thesis to locate the "why" for these lessons, but to determine the "where" and "when." Research revealed that at least six

lessons, which were documented and available from other projects, were not heeded in the Monterey project.

One can only speculate as to why these lessons were not taken into consideration in implementing the Monterey project. Many reasons may exist including valid attempts made but unable due to constraints, restrictions, or other inhibitors. Or the lesson was not made available to the project office in a timely fashion or at all.

This information is not all-inclusive as noted previously, documented lessons learned were extremely difficult to locate or attain. The overriding reason given was "proprietary in nature." Thus, this limited research still found areas where the programs did not properly function and the lessons learned program unsuccessful. It is important to note that there were several instances in which financial consequences occurred or could have occurred.

## **V. SUMMARY, RECOMMENDATIONS, AND FUTURE RESEARCH**

### **A. SUMMARY**

DoD must resolve the problem of military housing: matching adequate quantity and quality living quarters to meet demand. Traditional military construction methods would require extraordinary time and funds--an unacceptable solution. Instead, DoD approached the problem with another less practiced solution when Congress authorized the MHPI in 1996. As of June 2003, only 19 projects at military installations throughout the country partnered private contractors with the installation to fix the delinquent housing issue. As new methodologies become the norm, systems should be in place to document and learn from success and failure to ensure improvements in the next iteration. This thesis analyzes the progress of those systems.

The MHPI represents a dramatic revision in the construction and maintenance of military housing. DoD and the individual Services had to create and adopt new ways of doing business. The expertise needed to effectively manage the complex mixture of public, public-private, and private housing involved in MHPI was and continues to be challenging to master.

Since its inception in 1996, the number of projects has grown exponentially and the learning process has been continuous and steep. Realizing the importance of a lessons learned program, the GAO made specific mention of a means to strengthen the program in an official report in 2002. The GAO recommended the Secretary of Defense improve

the value of DoD's privatization Program Evaluation Plan by completing the reports on time. (GAO-02-624) The GAO claimed that the analysis the PEP provides ultimately saves valuable training time and financial resources by giving planners a historical view of previous projects, associated problems encountered, and subsequent solutions.

This thesis researched the effectiveness of the methods in place at the DoD and Service levels to document, share, and, above all, learn from past experiences. Each Service maintains its own lessons learned program in addition to the overall DoD program as discussed in Chapter II.

The lessons learned programs did not consist of a single methodology. Rather, this research uncovered layers of systems to document and share information. This thesis then reported the cumulative documented lessons from all Services broken down into categories in Chapter III. The list proved not all-inclusive and only illustrated the lessons available to the researcher based on limited time and resources. The difficulty in attaining a comprehensive list of lessons was educational in itself. If the program readily shares information, this thesis should have been able to easily locate and exhibit lessons learned to date.

Lessons were also repeatedly documented in several different formats. This researcher did not assume the actual lessons were repeated. Rather, the varying documents or briefings reiterated lessons merely for emphasis.

Overall, a program is only as good as it is effective--the bottom line to this thesis. Chapter IV compared the lessons learned through the first jointly partnered

privatization of military housing project at the Presidio of Monterey and Naval Postgraduate School to those documented in Chapter III. The fact that all or a majority of the lessons were not reiterated showed the current lesson learned programs are somewhat effective. However, a few repeated lessons revealed the current programs are not as effective as they could or should be.

Although many documented lessons from earlier projects were applied to the POM/NPS project, some were not. This research showed at least six lessons previously documented within the lessons learned system, which were relearned (incurring an unnecessary cost had the lesson been learned) at the POM/NPS project in Seaside, California. Given this data, the lessons learned program is a partial success.

Overall the program has a positive impact on the MHPI. The current lessons learned program improves each new privatization project ensuring it did not experience of all the same lessons from previous projects. Only a few lessons seem to slip through the cracks and are repeated even after documentation and distribution.

## **B. RECOMMENDATIONS**

The lessons learned programs exhibit some success but show room for improvement. The Monterey project only felt the pains of a few relearned lessons. Without the current programs, the project would have experienced many more. Adjusting the programs using the above recommendation might ensure future sites experience fewer or even no repeat lessons.

## **1. Data Bank**

Is there truly a sharing of ideas between the Services or even amongst installations? The author had to scrounge through many sources for a lengthy period to get most of the information. Many organizations maintain lessons learned on the Internet or intranet. This technique might apply well here.

OSD can create a singular deposit for each Service and itself, and ensure it is managed properly. The websites should be divided into two distinct areas: proprietary and nonproprietary information. Additionally, the lessons should be organized by phase or some other methodology. The source would be easy to use and locate pertinent data-- a search friendly information base. These sites could then be password protected to control access.

Currently, contractors assist the Services in maintaining a list of lessons learned. This information is difficult to access. Instead, project representatives and the private contractors should be able to readily access success stories and techniques from all the Services and not have to wait for the information to be disseminated at a periodic basis.

## **2. Conferences**

This research found most lessons learned conferences occurred on an annual basis. Those in attendance typically returned to their installation with a notebook with copies of the briefing slides. During the initial years of the implementation of MHPI, conferences may be more effective on a more frequent basis. As the number of projects grows exponentially, so should the means of communicating lessons.



If the budget allows, this research recommends that conferences be held bi-annually at the Service-level. The presented material (i.e. briefing slides, information sheets, etc) should be made easily and readily accessible to those individuals or installations not in attendance. Each Service should have an electronic, organized data bank of current and historical conference materials for installations to effortlessly review.

### **3. Reports**

Successes, failures, and lessons must be disseminated in a timely fashion. The reports currently within the DoD and Service-level lessons learned programs should be more timely. More specifically, the PEP is published approximately six months after the date of the information contained within. The time involved in consolidating information and ensuring the report is reviewed prior to publication should not equate to six months. This timeline should be significantly reduced and closely managed to ensure timely and valid information is available ensuring the intent of the report is met.

### **4. Summary**

The intent of the thesis is to conclude whether the current MHPI lessons learned program effectively enhances and improves the privatization process and meets stated program objectives. The thesis considers previous housing privatization efforts, the lessons learned documentation requirements for DoD and each Service, actual lessons learned to date, the affect of these lessons on the housing project in Seaside, California, and the overall success of the lessons learned program on improving new projects.

Lessons learned systems should capture and store experience and knowledge for reuse in subsequent decision-making tasks. These knowledge management efforts should be effective and at a minimum worth the cost involved. Due to resource constraints, this thesis cannot truly determine if

OSD and the Services receive a valuable return on investment as mistakes and errors can be costly. The author was not privy to cost information in most cases but found the lessons learned within the POM/NPS project required financial adjustments. The lessons addressed in Chapter IV equated to over \$21 million. This burden would have been much greater had the project not gained from learning a majority of the lessons from previous projects.

### **C. FUTURE RESEARCH**

While there are several studies reviewing the cost-benefits of MHPI, there have not been sufficient investigations of lessons learned. A definite cost exists to the programs in place. Given access to the costs and additional case studies on future projects, may determine a particular element or the entire lessons learned program is not cost effective. The research could highlight where OSD or the Services might find efficiencies.

Politicians claim retention is directly affected by poor quality and quantity of military housing. The privatization efforts should show a dramatic improvement in retention within 10 years. Further research to show the direct or indirect correlation between quality of life and retention would be of value.

Installations with privatized housing must attempt to maintain high occupancy levels. What factors predominately

play into the service members' decision-making process when determining whether to live in privatized housing or off the installation? How much does the current state of the world affect their decision (i.e. terrorism)?

#### **D. FINAL THOUGHT**

DoD currently has in place means to document and publish lessons learned. The effectiveness of such a system is crucial when applying relatively new methodologies at the start of large finance-intensive and highly visible projects. Although lacking much information about previously documented lessons, this case study still shows efficiencies need to be gained. Any program employed should be reviewed annually and altered when necessary. The lesson learned program is not the exception. OSD and each Service should reexamine their systems, compare programs between each Service, and adjust the systems where necessary. This should be an annual occurrence. For one thing is certain, a repeated lesson repeated is an unwise and costly mistake.

THIS PAGE INTENTIONALLY LEFT BLANK

## **APPENDIX A. ARMY PROJECTS AWARDED AS OF 30 JUNE 2003**

### **Fort Carson, Colorado.**

Awarded September 1999 to J.A. Jones. Fort Carson is the DoD's first housing privatization project for an entire installation. J.A. Jones Community Development Company assumed responsibility for a \$228.6 million dollar project to renovate 1,823 existing units and construct 840 new units on the installation in Colorado Springs, Colorado. Transfer of operations took place in November 1999.

### **Fort Hood, Texas**

Awarded October 2001 to Lend Lease Actus. Lend Lease Actus assumed operations at Fort Hood in Killeen, Texas on April 2002. This is the largest housing construction and renovation project in the history of the military services. The initial project involves \$260 million towards the construction of 973 new housing units and renovation of 4,939 homes at Fort Hood.

### **Fort Lewis, Washington**

Awarded December 2001 to EQR Lincoln Properties. The developer will revitalize or replace 3,218 units, construct 345 new units, and improve neighborhood amenities at Fort Lewis near Tacoma, Washington. Transfer of operations occurred April 2002.

### **Fort Meade, Maryland**

Awarded December 2001 to Picerne Military Housing. Picerne Military Housing will construct 2,748 units,

renovate or repair 422 units, and improve neighborhood amenities at Fort Meade near the Washington-Baltimore corridor. The developer assumed operations in May 2002.

**Fort Bragg, North Carolina**

Awarded May 2002 to Picerne Military Housing. The project will result in the construction of approximately 3,050 new or replacement housing units, renovation of 1,815 housing units and the construction of 11 new community centers, as well as a host of other ancillary facilities and amenities to meet the family housing needs at Fort Bragg.

**APPENDIX B. NAVY AND MARINE CORPS PROJECTS AWARDED  
AS OF 30 JUNE 2003**

**Kingsville Naval Air Station, Texas**

Awarded July 1996 to Landmark/Capstone. The 15-year project required the construction of 404 new units off base for the Kingsville Naval Air Station near Corpus Christi, Texas. This project is completed.

Awarded November 2000 to Hunt Building Corporation. The project required the construction of 150 units.

**Everett Naval Station, Washington**

Awarded March 1997 to Arlington/Dujardin. This is a 10-year deal worth \$20 million to construct and privatize 185 new units off base at Everett Naval Station in Everett, Washington. This project is completed.

Awarded December 2000 to Gateway/Pinnacle. This is a 30-year deal to construct 288 new units on private land.

**Camp Pendleton Marine Corps Base, California**

Awarded November 2000 to Hunt Building Corporation. This 50-year project included \$83 million to privatize 712 new units at Camp Pendleton Marine Corp Base in Oceanside, California.

**San Diego Naval Complex, California**

Phase I: Awarded August 2001 to Lincoln Property Company and Clark Realty Capital. This 50-year project involved \$261.8 million for 3,248 units at the San Diego Naval Complex near San Diego, California.

Phase II: Awarded May 2003 to the same contractors. This project involved \$421.5 million for 3,302 units at same location.

**New Orleans Naval Complex, Louisiana**

Awarded October 2001 to Louisiana Navy Family Housing and Patrician Asset Management Company. This 50-year deal involved \$79.8 million for 935 units at the New Orleans Naval Complex near New Orleans, Louisiana.

**South Texas Naval Complex, Texas**

Awarded February 2002 to South Texas Military Housing and Landmark Organization. This 50-year deal involved 661 units at South Texas Naval Complex in two locations: Corpus Christi Naval Air Station and Ingleside Naval Station.

**Beaufort Marine Corps Air Station**

Awarded March 2003 to Lend Lease Actus. This 50-year project involved 1,718 units at Beaufort Marine Corps Air Station, Marine Corps Recruit Depot, and Naval Hospital in Beaufort, South Carolina. Lend Lease Actus will renovate 1,227 existing units, replace 331 units, and construct 160 new units.



## **APPENDIX C. AIR FORCE PROJECTS AWARDED AS OF 30 JUNE 2003**

### **Lackland Air Force Base, Texas**

Awarded August 1998 to Landmark Organization. This project involved \$42.6 million to construct 420 new units at Lackland Air Force Base in San Antonio, Texas. This project is complete.

### **Robins Air Force Base, Georgia**

Awarded September 2000 to Hunt Building Corporation. This project involved \$56.5 million to construct 370 new units and renovate 300 units at Robins Air Force Base in Warner-Robins, Georgia. This project is completed.

### **Dyess Air Force Base, Georgia**

Awarded September 2000 to Hunt Building Corporation. This project involved \$35.3 million to construct 402 new units off base for Dyess Air Force Base in Abilene, Texas. This project is completed.

### **Elmendorf Air Force Base, Alaska**

Awarded March 2001 to Aurora Military Housing and Hunt Building Corporation. This project involved \$91.7 million to construct 420 units, renovate 200 units, and demolish 176 units. This project is scheduled for completion in September 2003.

### **Wright-Patterson Air Force Base, Ohio**

Awarded August 2002 to Properties of Wright Field (Miller-Valentine, Woolpert, Hunt Building Corporation).

This is the largest housing privatization project in Air Force History, involving 1,536 houses. The deal included \$99.1 million to privatize these houses at Wright-Patterson Air Force Base in Dayton/Springfield, Ohio.

**Kirtland Air Force Base, New Mexico**

Awarded April 2003 to Hunt Building Company. This project involved \$150.6 million to privatize 1,078 units at Kirtland Air Force Base in Albuquerque, New Mexico.

## LIST OF REFERENCES

*Air Force Center for Knowledge Sharing Lessons Learned and Air Force Knowledge Management*, Retrieved 30 June 2003 from URL: [<https://afknowledge.langley.af.mil/afcks>]

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #2 - Civilian Occupancy at RCI Sites*, Memorandum, 10 August 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #3 - Local Moves and Non-Temporary Storage at RCI Sites*, Memorandum, 10 August 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #4 - Transfer Date for RCI Assets and Operations*, Memorandum, 14 September 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #5 - Rental Payment Method for RCI Installations*, Memorandum, 14 September 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #6 - Installation Housing Staffs*, Memorandum, Not Dated.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #7 - Resident Satisfaction Surveys*, Memorandum, Not Dated.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #8 - Rental Payments in Arrears*, Memorandum, Not Dated.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #9 - Surviving Spouse Residency/Rent*, Memorandum, 8 December 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #10 - Resident Security Deposits*, Memorandum, 8 December 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #11 - RCI-Related Land Surveys*, Memorandum, 8 December 2000.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #12 - Standards*, Memorandum, Not Dated.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #13 - Schools*, Memorandum, 8 March 2001.

Apgar, Mahlon IV, *Army Residential Communities Initiative (RCI) Integrated Process Team (IPT) Policy Directive #14 - Standard Resident/Landlord Agreement*, Memorandum, Not Dated.

*Awarded Privatization Projects and Companies/Developers Receiving these Awards*, Retrieved 30 June 2003 from URL: [http://www.acq.osd.mil/housing/award.htm]

Bolden, Ivan, Memorandum, Subject: *Memorandum for Record of the Residential Communities Initiative (RCI) Lessons Learned (LL) Seminar, 9-11 June 2003*, 23 June 2003.

*Center for Army Lessons Learned*, Retrieved 30 June 2003 from URL: [http://call.army.mil]

Clark, Ian, Office of the Assistant Secretary of the Army (Installations and Environment), Briefing, Subject: *Residential Communities Initiative (RCI) Portfolio/Asset Management (PAM) At RCI Lessons Learned Seminar*, 10 June 2003.

*Who is ClarkPinnacle?*, RCI Newsletter, 28 October 2002.

*Clark Pinnacle Family Communities Webpage*, Retrieved 25 August 2003 from URL: [www.clarkpinnacle.com]

Else, Daniel H., *Military Housing Privatization Initiative: Background and Issues*, Congressional Research Service, Report-RL31039, 2 July 2001.

Fiori, Mario, Executive Summary, Subject: *Portfolio and Asset Management for RCI Executive Summary*, April 2003.

Fowler, Pat and Ron Slusser, *MHPI Program Evaluation Plan*, Briefing at Military Housing Privatization Initiative (MHPI) Project Management Workshop, 27 June 2002.

General Accounting Office, *Military Housing: Management Improvement Needed As the Pace of Privatization Quickens*, GAO-02-624, June 2002.

General Accounting Office, *Military Housing: Privatization Off to a Slow Start and Continued Management Attention Needed*, GAO/NSIAD-98-178, July 1998.

Gutierrez, Rose, *Military Housing, Housing Economics*, July 2001.

Interview between Pat Kelly, RCI Director for Monterey Bay, and the author, 4 August 2003.

Interview between Brad Collier, RCI Deputy Director for Monterey Bay, and the author, 18 July 2003.

*Joint Center for Lessons Learned*, Retrieved 30 June 2003 from URL: [http://www.jwfc.jfcom.mil/about/fact\_jcll.htm]

*Navy Lessons Learned System (NLLS)*, Retrieved 30 June 2003 from URL: [http://www.nwdc.navy.mil/nlls]

Office of the Assistant Secretary of the Army (Installations and Environment), *Residential Communities Initiative (RCI) Lessons Learned Seminar*, 22-24 April 2002.

Office of the Assistant Secretary of the Army (Installations and Environment), *Residential Communities Initiative (RCI) Lessons Learned Seminar*, 9-11 June 2003.

Office of the Deputy Chief of Staff of the Air Force (Installation and Logistics), *Air Force Public Private Venture (PPV) Lessons Learned Workshop Notes*, Brooks Air Force Base, Texas, 14 October 1998.

*Program Evaluation Plan Period Ending 31 December 2000, Executive Report, Office of the Secretary of Defense (Installations and Environment).*

*Program Evaluation Plan Period Ending 30 June 2001, Executive Report, Office of the Secretary of Defense (Installations and Environment).*

*Program Evaluation Plan Period Ending 31 December 2001, Executive Report, Office of the Secretary of Defense (Installations and Environment).*

*Program Evaluation Plan Period Ending 30 June 2002, Executive Report, Office of the Secretary of Defense (Installations and Environment).*

*Residential Communities Initiative-Monterey Bay Major Lessons Learned, Briefing, Received 15 July 2003.*

Residential Communities Initiative (RCI) Program Office, Memorandum, *Subject: Quality Standards for New and Replacement Residential Communities Initiative (RCI) Family Housing*, 27 November 2002.

Telephone conversation between Lisa Tychsen, Office of the Deputy Under Secretary of Defense (Installations and Environment) Competitive Sourcing and Privatization and the author, 18 June 2003.

Yim, Randall A., Deputy Under Secretary of Defense for Installations, Testimony Before the Subcommittee on Military Installations and Facilities of the House Armed Services Committee, 3 May 2001.

U.S. Department of Defense Military Housing Privatization Initiative (MHPI) Project Management Workshop, Ernst & Young, 27-28 June 2002.

## BIBLIOGRAPHY

Army News Service, *Fort Carson Awards Housing Privatization Contract*, 1 October 1999.

Assistant Chief of Staff for Installation Management, *Army Family Housing Master Plan (FY 03-09)*, February 2003.

Beard, Kirby D., *The Military Housing Privatization Initiative and the Defense Department's Military Housing Revitalization Plan*, Master's Thesis, Naval Postgraduate School, Monterey, California, March 2003.

Brown, Irene, *GAO Reports Little Progress in Military Housing Privatization*, The Pointer View, 14 April 2000.

Cahlink, George, *Business Solutions Awards: Comfortable living*, Government Executive, Washington, August 2002.

Congressional Budget Office, *Military Family Housing in the United States*, Washington: GPO, 1993.

Congressman Dave Hobson, *Keeping Military Housing Privatization on Track*, Weekly Column, 21 March 2000.

Garnett, Stanley, *Treatment of Military Housing Allowance for Families in "Privatized Housing" for Purposes of Determining Eligibility in the Child Nutrition Programs*, 2002 Farm Bill Implementation Memos, 17 May 2002.

House Armed Services Committee, *Statement by Honorable Mario P. Fiori Assistant Secretary of the Army (Installations and Environment); Major General Larry J. Lust Assistant Chief of Staff for Installation Management Department of the Army; Major General Collis N. Phillips Deputy Chief, Army Reserve Department of the Army; Brigadier General Clyde A. Vaughn Deputy Director, Army National Guard Department of the Army Before the Subcommittee on Readiness House Armed Service Committee United States House of Representatives*, 18 March 2003.

House Armed Services Committee, *Statement of Chairman Jim Saxton Subcommittee on Military Installations and Facilities Hearing on the Military Housing Privatization Initiative*, 3 May 2001.

*Military Family Housing Privatization: An Update*, Business Executives for National Security, 23 February 1999.

National Education Association, *Military Housing Privatization*, 15 March 2000.

Nettler, Richard and Keith Styles, *Financing Problems in Military Housing Privatization*, Robins, Kaplan, Miller & Ciresi LLP Webpage, 25 April 2000.

Office of the Under Secretary of Defense, Memorandum, *Subject: Military Housing Privatization Program Evaluation Plan (PEP)*, 10 January 2001.

Philpott, Tom, *Privatization Slowly Improving Military Housing*, Honolulu Advertiser, 27 January 2003.

Shade, David M. *Optimizing The Privatization of Military Family Housing*, Master's Thesis, Naval Postgraduate School, Monterey, California, December 1998.

Sorce, Steven R., *The Military Housing Problem: Public Private Venture (PPV) and Complete Privatization Alternatives*, Master's Thesis, Naval Postgraduate School, Monterey, California, June 2000.

Tychsen, Lisa, "Office of the Deputy Under Secretary of Defense (Installations and Environment) Military Housing Privatization Reporting."  
[<http://www.defenselink.mil/acq/installation/hrso/docs/pepI1.htm>] October 2002.

Tychsen, Lisa, "Office of the Deputy Under Secretary of Defense (Installations and Environment) Military Housing Privatization Program Reporting by Military Services."  
[<http://www.defenselink.mil/acq/installation/hrso/reporting.htm>] October 2002.

United States, *1996 Defense Authorization Act*, 10 February 1996.

*U.S. Military Takes Steps to Streamline, Improve Housing Privatization Program*, National Housing & Rehabilitation Associations Multifamily Advisor Newsletter, January/February 2003.



Yim, Randall A., Deputy Under Secretary of Defense for Installations, Testimony Before the Subcommittee on Military Installations and Facilities of the House Armed Services Committee, 16 March 2000.

THIS PAGE INTENTIONALLY LEFT BLANK

## INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center  
Ft. Belvoir, VA
2. Dudley Knox Library  
Naval Postgraduate School  
Monterey, CA
3. Professor J. San Miguel  
Naval Postgraduate School  
Monterey, CA
4. LTC Rodney E. Tudor, U.S. Army  
Naval Postgraduate School  
Monterey, CA
5. LtCol Benjamin Wham  
Headquarters, US Air Force  
Arlington, VA
6. CPT Janet Elbert  
Naval Postgraduate School  
Monterey, CA